



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 27, 2007

H.R. 2874 **Veterans' Health Care Improvement Act of 2007**

*As ordered reported by the House Committee on Veterans' Affairs
on July 17, 2007*

SUMMARY

H.R. 2874 contains provisions that would both increase and decrease spending for veterans' health care. The bill would expand certain health care benefits available for veterans and would create new programs to help low-income veterans and veterans in rural areas. H.R. 2874 also would extend for two years the authority of the Department of Veterans Affairs (VA) to collect certain payments for medical care.

The bill also would require VA to implement a new program to provide readjustment counseling and mental health care services to recent veterans. CBO does not have sufficient information about how VA might implement this requirement to estimate the cost. CBO estimates that the net effect of implementing the remainder of H.R. 2874 would be to reduce costs for veterans' health care by \$22 million in 2008 and to increase costs by \$199 million over the 2008-2012 period, assuming the availability of appropriated funds. Enacting the bill would not affect direct spending or revenues.

H.R. 2874 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA); any costs to state, local, or tribal governments would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2874 is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 2847 ^a

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	42	43	43	43	38
Estimated Outlays	-22	33	100	46	42

a. This table does not include the costs for implementing section 6 of H.R. 2874, which CBO cannot estimate at this time.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the start of fiscal year 2008, that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for the VA medical services program.

Offsetting Collections

VA has a number of authorities that allow it to bill third-party insurance for care given to veterans, and to collect a variety of fees and copayments from veterans. Two specific authorities will expire at the end of fiscal year 2007. Those expiring authorities allow VA to collect a \$10 daily payment for hospital stays from certain veterans and to bill insurance companies for care given to veterans who have a disability related to their service, but who are being treated for a nonservice-related condition. Based on information from VA, CBO estimates that the department will collect about \$525 million in 2007 as a result of those two expiring authorities.

Section 5 would allow VA to continue collecting those monies for another two years—until September 30, 2009. All VA collections are currently deposited into the Medical Care Collections Fund (MCCF). Amounts deposited to the MCCF are considered to be offsets to discretionary appropriations and spending from the MCCF is subject to annual appropriation action. Accounting for inflation and increased usage, CBO estimates that implementing this provision would increase—relative to current law—offsetting collections deposited to the MCCF by \$582 million in 2008 and about \$1.2 billion over the 2008-2009 period.

TABLE 2. COMPONENTS OF THE ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER H.R. 2847 ^a

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
Offsetting Collections					
Estimated Authorization Level	0	0	0	0	0
Estimated Outlays	-58	-9	57	3	1
Help for Very-Low Income Veterans					
Authorization Level	25	25	25	25	25
Estimated Outlays	23	25	25	25	25
Dental Benefits for Homeless Veterans					
Estimated Authorization Level	7	7	7	7	8
Estimated Outlays	6	7	7	7	8
Transportation Grants					
Authorization Level	3	3	3	3	3
Estimated Outlays	3	3	3	3	3
Veterans Released from Prison					
Estimated Authorization Level	4	4	4	4	0
Estimated Outlays	1	3	4	4	3
Therapeutic Readjustment Grants					
Authorization Level	2	2	2	2	0
Estimated Outlays	2	2	2	2	0
Chemical and Biological Testing Participants					
Estimated Authorization Level	1	2	2	2	2
Estimated Outlays	1	2	2	2	2
Total Changes ^a					
Estimated Authorization Level	42	43	43	43	38
Estimated Outlays	-22	33	100	46	42

a. This table does not include the cost of implementing section 6 of H.R. 2874, which CBO cannot estimate at this time.

Subject to annual appropriation action, VA can spend the money in the MCCF to provide medical care for veterans. CBO estimates that implementing section 5 would increase discretionary spending on medical care for veterans by \$523 million in 2008 and \$1.1 billion over the 2008-2012 period, assuming appropriation of the collected amounts. Because CBO

assumes that VA will spend the collections, the estimated budget authority for collections and spending offset each other exactly, while the outlays lag behind spending. This results in outlay savings in the first two years and costs in later years. Therefore, CBO estimates that the net budgetary impact of implementing H.R. 2874 would be a reduction in discretionary outlays of \$58 million in 2008 and \$6 million over the 2008-2012 period.

Help for Very-Low Income Veterans

Section 9 would authorize the appropriation of \$25 million a year to provide financial assistance to qualified nonprofit organizations and consumer cooperatives that provide supportive services to very-low income veterans who live in permanent housing, with preference given to those entities that help veterans make a transition from homelessness to permanent housing. Very-low income veterans would be defined as those having an income that is less than half of the median income for the area in which the veteran lives. The authorized funding would support a wide array of services, including outreach, health care, counseling, transportation, assistance with daily living, and assistance in obtaining veterans benefits and other public benefits, among others. CBO estimates that implementing this section would cost \$23 million in 2008 and \$123 million over the 2008-2012 period.

Dental Benefits for Homeless Veterans

Section 10 would expand a benefit program that provides dental care to certain veterans. Under current law, veterans who have received 60 consecutive days of care through a VA program that provides rehabilitation and treatment for homeless veterans may receive dental care to alleviate pain, as part of treatment for a more severe periodontal disease, or to aid in getting a job. Section 10 would decrease the required number of days of care to 30, allowing homeless veterans who are receiving shorter-term treatment, such as for substance abuse, to receive the dental benefit.

In late 2006, VA implemented a Homeless Veterans Dental Initiative to address the concern that homeless veterans were not able to get appointments for dental care because priority is given to veterans returning from overseas deployments. In 2008, VA plans to use \$10 million for this purpose. VA reports that, to date, about 4,500 veterans have received treatment under this program and that an additional 2,500 veterans would be eligible for the benefit under H.R. 2874. At an average cost of about \$2,500 per veteran in 2007, and adjusting for medical inflation, CBO estimates that implementing this provision would increase the cost of this program by \$6 million in 2008 and \$35 million over the 2008-2012 period.

Transportation Grants

Section 3 would authorize the appropriation of \$3 million each year from 2008 through 2012 to provide grants to organizations that would assist veterans in rural areas to travel to VA medical facilities. Eligible entities would include state veterans agencies and nonprofit organizations. CBO estimates that implementing this section would cost \$3 million in 2008 and \$15 million over the 2008-2012 period.

Veterans Released from Prison

VA is currently working with the Department of Labor (DOL) on a demonstration program to provide counseling and referrals to veterans leaving penal institutions who are at risk of becoming homeless. VA hires case managers to oversee the program while DOL administers the grants to nonprofit organizations that provide the counseling and referrals. Under current law, the program is being conducted at six sites and will expire on September 30, 2007. Section 7 would double the number of program sites and extend the authority through fiscal year 2011. CBO estimates that, in total, implementing this provision would cost about \$1 million in 2008 and \$15 million over the 2008-2011 period.

Based on information from VA that six case managers would be needed to oversee the 12 sites at an average cost of \$80,000 per person, CBO estimates that such additional staff would cost VA less than \$500,000 in 2008 and \$2 million over the 2008-2011 period.

Under this program, DOL issued grants totaling over \$1.6 million in 2007 through nonprofit organizations to provide counseling and referral services to almost 1,000 veterans leaving penal institutions. CBO estimates that increasing the size of the program would increase costs for such grants by less than \$500,000 in 2008 and by \$13 million over the 2008-2011 period.

Therapeutic Readjustment Grants

Section 2 would authorize the appropriation of \$2 million in each year from 2008 through 2011 to be given as grants to nonprofit organizations that would provide therapeutic readjustment and rehabilitation programs to veterans who served in areas of combat after November 11, 1998. All grantees must show that their programs assist in the readjustment and rehabilitation of participants. CBO estimates that implementing this section would cost \$2 million in 2008 and \$8 million over the 2008-2011 period.

Chemical and Biological Testing Participants

From 1962 to 1973, the Department of Defense conducted certain tests to determine the vulnerability of personnel, buildings, and ships to various biological and chemical threats. Veterans who were exposed to agents used in those tests are eligible to receive free health care from VA, though copayments are required for treatment for diseases or injuries that are obviously not related to military service. The authority to provide this benefit expires on December 31, 2007. Section 4 would make this authority permanent.

Based on data provided by VA that about 300 such veterans are receiving health care from the agency at an average cost of \$5,800 in 2007, CBO estimates that implementing this section would cost \$1 million in 2008 and \$9 million over the 2008-2012 period.

Mental Health Care and Readjustment Counseling

Section 6 would require VA to implement a new program to provide readjustment counseling and mental health care to veterans who have served in combat operations since November 11, 1998, and left active-duty service after September 11, 2001. The program would include peer outreach and support services. In areas of the country where the Secretary determines there is inadequate coverage by VA medical facilities, the department would be required to contract with community mental health centers to provide these services. VA would be required to provide training to clinicians in those centers to ensure that the services provided are appropriate for veterans of Operation Iraqi Freedom and Operation Enduring Freedom. In addition, VA would be required to contract with nonprofit organizations to train combat veterans to provide peer outreach and support services.

VA has not yet determined how it would implement the requirements of this section. According to VA, it currently has over 200 contracts with private-sector agencies to provide readjustment counseling to veterans, primarily in rural areas. However, other than ensuring that the agency is qualified to provide counseling, VA does not provide additional assistance to ensure that the services provided are appropriate for veterans who served in Iraq and Afghanistan. VA conducts training programs for veterans to provide peer outreach, but it does this with its own resources and not through contracts with nonprofit organizations. Because VA is not yet able to specify how its current programs would change under the requirements of this provision, CBO cannot estimate the costs of implementing section 6. Depending on how VA decides to implement those requirements, costs could range from a negligible amount to several million dollars a year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2874 contains no intergovernmental or private-sector mandates as defined in URMA. Programs authorized in the bill would benefit state, local, and tribal governments that provide transportation or housing assistance to veterans. Any costs they might incur to comply with reporting requirements of the programs would be incurred voluntarily.

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